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Russian Federation

Grain and Feed

Russia Begins Corn Procurement Interventions on December 22, 2008

2008

Approved by:

Mary Ellen Smith
U.S.Embassy

Prepared by:

Yelena Vassilieva, Mary Ellen Smith

Report Highlights:

The Russian government is planning to increase funds for the grain procurement in order to purchase up to 20 million metric tons (MMT). The Russian Ministry of Agriculture has added corn to the list of eligible grain, and corn purchases will begin December 22, 2008. The ceiling procurement price for corn is set at 4,000 rubles (\$143) per metric ton. The current market price of corn in the European Russia is 2,370 rubles (\$85) per metric ton.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

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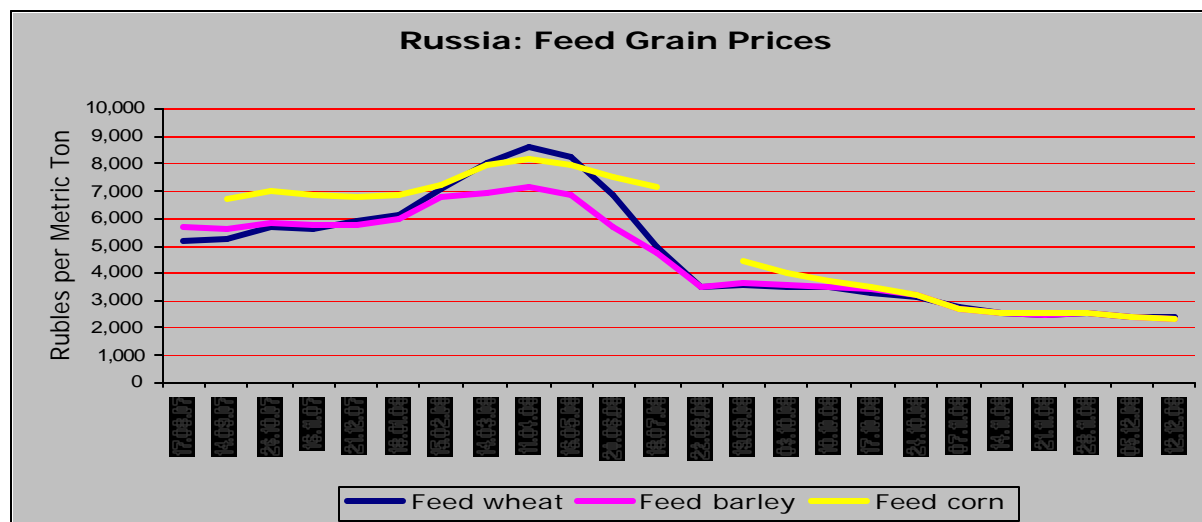
Executive Summary

The Russian Minister of Agriculture Aleksey Gordeyev has announced that beginning December 22, 2008, the government will start purchasing corn for the grain intervention fund at the ceiling price of 4,000 rubles (\$143) per metric ton. Corn will be the sixth commodity that is purchased under the grain intervention fund in MY 2008. As of December 18, 2008, the government has purchased 3.74 million metric tons (MMT) of grain, including 1.29 MMT of Class 3 soft milling wheat, 1.09 MMT of Class 4 soft milling wheat, 0.98 MMT of Class 5 (fodder) wheat, 42,930 metric tons (MT) of food quality rye, and 339,090 MT of fodder barley. As of December 18, 2008, the value of procured grain has exceeded 17.8 billion rubles (\$647 million). According to Minister Gordeyev, by the end of December 2008, the total volume of procured grain in the intervention fund will reach 5.0 MMT. The Russian Government is considering the possibility of increasing the Charter Capital of Rosselkhozbank¹ by another 45 billion rubles (\$1.61 billion) for financing grain procurement in order to accumulate in the intervention fund up to 19-20 MMT by the end of MY 2008. Experts are concerned about storage for intervention grain, given that Russia's internal storage facilities are limited. The Russian Ministry of Agriculture intends to use grain border terminals for storing intervention grain.

Corn Production and Market Prices

In MY 2008 Russia's corn crop has reached a record high level of 6.6 million metric tons (MMT). Corn production is concentrated in the Southern European Russia (the Southern Federal District and the Central Federal District) where it competes with the bumper fodder wheat crop. Transportation of corn to territories with intensive production of poultry and pigs is expensive and is limited by storing and handling capacity of feed mills. Besides, the majority of feed producers do not use corn, because it has always been more expensive than wheat, and they have not been able to adapt to the new market realities. Thus, corn prices in the European Russia have decreased from 7,000 rubles as of August 1, 2008, to 2,365 rubles as of December 12, 2008 (Graph 1), and the corn price equaled the price of feed wheat and barley. In December, 2008, corn prices have remained low, in spite of rumors in the mass media that some traders concluded contracts on exports of several hundred thousand metric tons of corn. Experts consider that the present corn price will force many farmers to decrease or even abandon corn planting next year, and Russia again will be short of this valuable source of energy feeds.

¹ Rosselkhozbank – the Russian Agricultural Bank, a state-owned bank that finances agricultural producers and government activities in the sphere of agriculture, including the state grain procurement interventions. For more information see GAIN Report RS8058 Grain and Feed / August Monthly Update

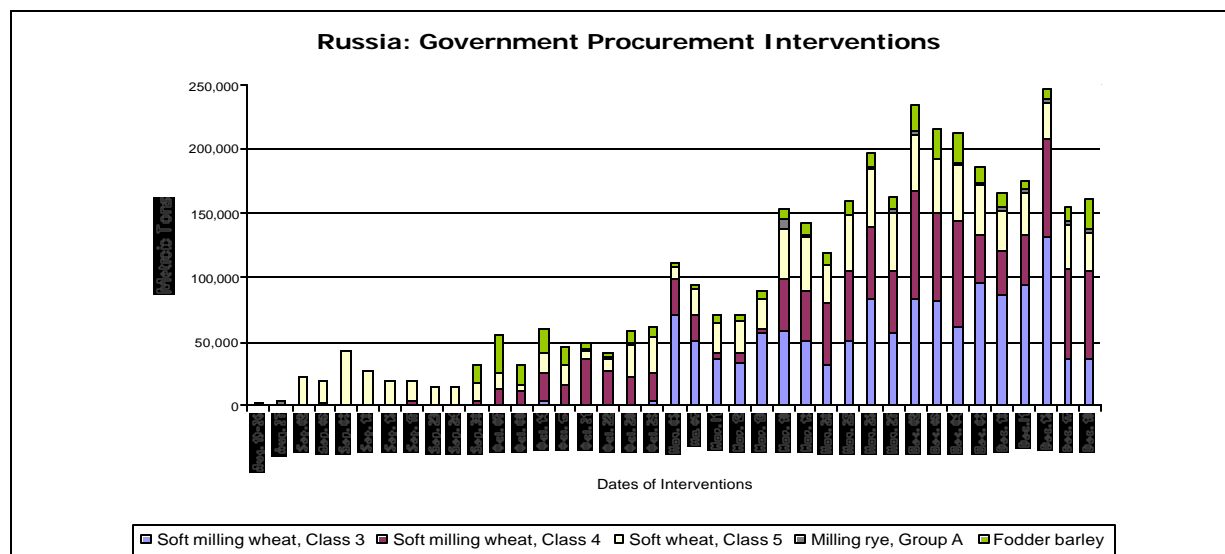
Graph 1. Prices of Feed Grains, European Russia, EXW, Rubles per Metric Ton

Note: corn was not traded in July - August 2008

Source: WJ ProZerno

Grain Procurement Interventions as of December 18, 2008

Grain procurement intensified significantly in November and December, 2008, when the Ministry of Agriculture increased Class 3 wheat price from 5,000 rubles to 5,500 rubles (approximately \$200) for all provinces of the Russian Federation, and then raised it to 6,000 rubles (\$218) per metric ton for the Ural and Siberian Federal Districts and for Orenburg oblast. The National Commodity (Merchandise) Exchange, the place for the intervention tenders, also decided to have three tenders per week instead of the previous two. The total amount sold from August 19, 2008, through December 18, 2008, was 3.74 MMT, including 1.29 MMT of Class 3 soft milling wheat, 1.09 MMT of Class 4 soft milling wheat, 0.98 MMT of Class 5 soft milling wheat (fodder wheat), 42,930 MT of milling rye, Group A, and 339,090 MT of fodder barley. 83.5 percent of all grain was purchased in November through December. According to the latest data, the government has started purchasing Class 3 corn for the intervention fund on December 22, 2008, and beginning this week the intervention tenders will be held every working day of the week. The last day will be December 31, 2008, and interventions will resume on January 12, 2009.

Graph 2. Russia: Grain Procurement Interventions

Source: Calculated based on NAMEX data

Relevant Report

RS8091 Grain and Feed / December Grain Update

<http://www.fas.usda.gov/gainfiles/200812/146306655.pdf>

RS8090 Grain and Feed / Russian Government Intends to Support Grain Exports

<http://www.fas.usda.gov/gainfiles/200812/146306735.pdf>

RS8085 Grain and Feed / Government Increased Wheat Procurement Prices

<http://www.fas.usda.gov/gainfiles/200811/146306353.pdf>

RS8063 Grain and Feed / The Ministry of Agriculture Opens Grain Procurement Interventions

<http://www.fas.usda.gov/gainfiles/200808/146295597.pdf>

RS8062 Grain and Feed / MinAg May Raise Crop Forecast and Begin Grain Procurement Next Week

<http://www.fas.usda.gov/gainfiles/200808/146295493.pdf>

RS8058 Grain and Feed / August Monthly Update

<http://www.fas.usda.gov/gainfiles/200808/146295384.pdf>

RS8022 Grain and Feed / Grain Intervention (Procurement) Prices for 2008

<http://www.fas.usda.gov/gainfiles/200803/146294105.pdf>